

(popularly known as “Sallie Mae”), or a public entity in the business of purchasing student loans, and except as provided in §60.40. In this section “seller” means any kind of assignor and “buyer” means any kind of assignee.

(a) *Procedure.* A HEAL note assigned from one lender or holder to another must be subject to a blanket endorsement together with other HEAL notes being assigned or must individually bear effective words of assignment. Either the blanket endorsement or the HEAL note must be signed and dated by an authorized official of the seller. Within 30 days of the transaction, the buyer must notify the following parties of the assignment:

(1) The Secretary;

(2) The borrower. The notice to the borrower must contain a clear statement of all the borrower’s rights and responsibilities which arise from the assignment of the loan, including a statement regarding the consequences of making payments to the seller subsequent to receipt of the notice; and

(3) The borrower’s school, as shown on the application form supporting the loan purchased by the buyer, if the borrower is enrolled in school.

(b) *Risks assumed by the buyer.* Upon acquiring a HEAL loan, a new holder assumes responsibility for the consequences of any previous violations of applicable statutes, regulations, or the terms of the note except for defects under §60.41(d). A HEAL note is not a negotiable instrument, and a subsequent holder is not a holder in due course. If the borrower has a valid legal defense that could be asserted against the previous holder, the borrower can also assert the defense against the new holder. In this situation, if the new holder files a default claim on a loan, the Secretary denies the default claim to the extent of the borrower’s defense. Furthermore, when a new holder files a claim on a HEAL loan, it must provide the Secretary with the same documentation that would have been required of the original lender.

(c) *Warranty.* Nothing in this section precludes the buyer of a HEAL loan from obtaining a warranty from the seller covering certain future reductions by the Secretary in computing

the amount of insurable loss, if any, on a claim filed on the loan. The warranty may only cover reductions which are attributable to an act or failure to act of the seller or other previous holder. The warranty may not cover matters for which the buyer is charged with responsibility under the HEAL regulations.

(d) *Bankruptcy.* If a lender or holder assigns a HEAL loan to a new holder, or a new holder acquires a HEAL loan under 20 U.S.C. 1092a (the Combined Payment Plan authority), and the previous holder(s) subsequently receives court notice that the borrower has filed for bankruptcy, the previous holder(s) must forward the bankruptcy notice to the purchaser within 10 days of the initial date of receipt, as documented by a date stamp, except that if it is a chapter 7 bankruptcy with no complaint for dismissal, the previous holder(s) must file the notice with the purchaser within 30 days of the initial date of receipt, as documented by a date stamp. The previous holder(s) also must file a statement with the court notifying it of the change of ownership. Notwithstanding the above, the current holder will not be held responsible for any loss due to the failure of the prior holder(s) to meet the deadline for giving notice if such failure occurs after the current holder purchased the loan.

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§ 60.39 Death and disability claims.

(a) *Death.* The Secretary will discharge a borrower’s liability on the loan in accordance with section 738 of the Act upon the death of the borrower. The holder of the loan may not attempt to collect on the loan from the borrower’s estate or any endorser. The holder must secure a certification of death or whatever official proof is conclusive under State law. The holder must return to the sender any payments, except for refunds under §60.21, received from the estate of the borrower or paid on behalf of the borrower after the date of death.

(b) *Disability.* (1) The Secretary will discharge a borrower's liability on the loan in accordance with section 738 of the Act if the borrower is found to be permanently and totally disabled on recommendation of the holder of the loan and as supported by whatever medical certification the Secretary may require. A borrower is totally and permanently disabled if he or she is unable to engage in any substantial gainful activity because of a medically determinable impairment, which the Secretary expects to continue for a long and indefinite period of time or to result in death.

(2) After being notified by the borrower or the borrower's representative that the borrower claims to be totally and permanently disabled, the holder of the loan may not attempt to collect on the loan from the borrower or any endorser. The holder must promptly request that the Secretary determine whether a borrower has become totally and permanently disabled. With its request, the holder must submit medical evidence no more than 4 months old that it has obtained from the borrower or the borrower's representative.

(3) If the Secretary determines that the borrower is totally and permanently disabled, the lender or holder must return to the borrower any payments, except for refunds under § 60.21, that it receives after being notified that the borrower claims to be totally and permanently disabled.

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[48 FR 38988, Aug. 26, 1983, as amended at 57 FR 28797, June 29, 1992]

§ 60.40 Procedures for filing claims.

(a) A lender or holder must file an insurance claim on a form approved by the Secretary. The lender or holder must attach to the claim all documentation necessary to litigate a default, including any documents required to be submitted by the Federal Claims Collection Standards, and which the Secretary may require. Failure to submit the required documentation and to comply with the HEAL statute and regulations or the lender's or holder's insurance contract will result in a claim not being honored. The Secretary may deny a claim that is not

filed within the period specified in this section. The Secretary requires for all claims at least the following documentation:

- (1) The original promissory note;
- (2) An assignment to the United States of America of all right, title, and interest of the lender or holder in the note;
- (3) The loan application;
- (4) The history of the loan activities from the date of loan disbursement through the date of claim, including any payments made; and
- (5) A Borrower Status Form (HRSA–508), documenting each deferment granted under § 60.12 or a written statement from an appropriate official stating that the borrower was engaged in an activity for which he or she was entitled to receive a deferment at the time the deferment was granted.

(b) The Secretary's payment of a claim is contingent upon receipt of all required documentation and an assignment to the United States of America of all right, title, and interest of the lender or holder in the note underlying the claim. The lender or holder must warrant that the loan is eligible for HEAL insurance.

(c) In addition, the lender or holder must comply with the following requirements for the filing of default, death, disability, and bankruptcy claims:

(1) *Default claims.* *Default* means the persistent failure of the borrower to make a payment when due or to comply with other terms of the note or other written agreement evidencing a loan under circumstances where the Secretary finds it reasonable to conclude that the borrower no longer intends to honor the obligation to repay the loan. In the case of a loan repayable (or on which interest is payable) in monthly installments, this failure must have persisted for 120 days. In the case of a loan repayable (or on which interest is payable) in less frequent installments, this failure must have persisted for 180 days. If, for a particular loan, an automatic stay is imposed on collection activities by a Bankruptcy Court, and the lender or holder receives written notification of the automatic stay prior to initiating legal proceedings against the borrower, the 120-